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C O N F I D E N T I A L SECTION 01 OF 02 SANAA 002464

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TAGS: [PGOV](#) [EFIN](#) [ECPS](#) [EIND](#) [EINV](#) [ETTC](#) [KMPI](#) [YM](#) [ECON](#) [COM](#)

SUBJECT: SALAMI TAKES HIGH ROAD ON GSM TENDER, CORRUPTION, AND REFORMS

REF: A. SANAA 2426

[B.](#) SANAA 1976

[C.](#) SANAA 1919

Classified By: Classified By: Ambassador Thomas C. Krajeski for reasons 1.4 b and d.

[¶](#)11. (C) Summary. On August 28, the tender for a new mobile phone operator in Yemen was at the top of the agenda when Ambassador met Minister of Finance Salami. Ambassador offered the merits of Millicom's bid, stressing the importance of American investment in Yemen, and raised questions about the bid of Chinese-owned Unitel. MOF promised an open and transparent tender that takes all factors into account. Salami lauded his Ministry's efforts on economic reform, and blamed the private sector for delaying implementation of key measures. He offered himself as an ally in fighting corruption and improving rule of law in Yemen. End summary.

MOF Promises Clean GSM Tender

[¶](#)12. (C) Ambassador met August 27 with Minister of Finance and Deputy Prime Minister Alawi al-Salami. Stressing the importance of an open and transparent bidding process for Yemen's investment climate, Ambassador expressed concern regarding certain irregularities with the current GSM tender. (ref A) Ambassador referred to the Chinese company Unitel, which submitted the highest offer at USD 149 million, noting that the company has no international reputation, is not a recognized wireless operator, and has not publicized its local partners. In contrast, Ambassador touted the merits of Millicom (partnered with the American vendor Motorola), which has broad international experience and can offer tourist promotion for Yemen through its corporate media divisions.

[¶](#)13. (C) Salami responded that the bids are currently being evaluated in the Ministry of Telecommunications, which will present its recommendations to the High Tendering Committee (of which MOF is a member). MOF said the law covering the selection process is clear, and that any company that doesn't meet the requirements will be removed from contention. Salami further promised transparency and fairness, saying it was in the interest of all concerned parties. He added that all bids will be considered on their full merits, not only on the basis of their financial offers.

Public/Private Sector Gap

[¶](#)14. (C) High profile tenders such as this, said Ambassador, are an opportunity for the ROYG to show that it is open for international business and attract American investors. The economy will be a focus of President Saleh's visit to Washington in November, he continued, specifically the role of the private sector in developing Yemen's economy. Salami touted the ROYG's cooperation with the international community in instituting economic reforms, but said that, "some groups work against their own interests." He cited the private sector's opposition to a sales tax, claiming that they feared opening their books to Government auditors. Yemen's businesses pay only a fraction of what they should, said Salami. (Note: In an earlier meeting, business leaders told Ambassador they were discouraged from proper accounting by ROYG tax officials who demanded bribes. End note.)

Salami's Views on Corruption and the Law

[¶](#)15. (C) MOF pointed to the need for judicial reforms and an effective commercial courts system. The banks' inability to collect interest makes them unwilling to loan and slows economic development, he explained. Ambassador offered Yemen's Millennium Challenge Threshold proposal, which will focus on creating an independent judiciary and establishing a national land registry, as examples of U.S. assistance in this area. When pressed on the issue of corruption, MOF responded: "Corruption is a relative term. It grows in a particular environment and we are trying to address the root causes." He stressed his Ministry's lead role in signing the UN Convention on Corruption. Salami expressed his belief

that Yemen needs an independent body to investigate malfeasance. Ambassador agreed, saying: "No one is above the law. Not even ministers."

16. (C) Comment: In general, MOF appeared in good spirits after having seemingly survived, once again, pressure for his ouster. (ref B) Salami appeared surprised when Ambassador broached the subject of the GSM tender, perhaps believing it to be below post's radar. His assurances of a transparent process were predictable, and gave little indication of the ROYG's intentions. It is highly likely, however, that MOF will back the Chinese bid and the US 149 million it will offer the Ministry's treasury. Salami's comments on broader economic reforms demonstrated the high level of distrust between the public and private sectors, which shows few signs of abating after a showdown on the implementation of a sales tax. (ref C) The Minister's strong rhetoric on corruption should be taken with a grain of salt, as most observers point to MOF as one of the key sources of corruption and mismanagement. End comment.

Krajeski